

<b>News at Agence France Trésor</b> <i>page 1</i>	<b>Economic news</b> <i>page 2</i>	<b>General debt-related data</b> <i>page 3</i>	<b>Secondary market</b> <i>page 5</i>	<b>Negotiable government debt</b> <i>page 6</i>	<b>The French economy and international comparisons</b> <i>page 8</i>
--	---------------------------------------	---	--	--	--

Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

## News at Agence France Trésor

### AFT confirms robustness of its partnership with primary dealers by renewing their appointment for three years

Primary dealers are AFT's key partners for all of its market activities. As a result of the reselection process launched in October 2015, 18 institutions were reappointed as primary dealers for a three-year term starting on 16 December 2015 (see Box). All 18 applied to renew their three-year term, confirming the strong appeal of primary dealer status. The group comprises 11 banks from Europe, 6 from North America and 1 from Japan, proof of the significant role and appeal of French Treasury securities on euro-denominated debt markets.

This renewable three-year term is subject to the conditions outlined in [the SVT Charter](#) governing the relationship and dealings between AFT and the primary dealers appointed. All primary dealers must sign and comply with this Charter. Introduced in 2003, it outlines primary dealers' qualitative and quantitative obligations. Most importantly, they must guarantee the smooth running of the French sovereign debt market by participating in auctions and making available Treasury securities to a wide range of investors on the secondary market hence ensuring these securities remain highly liquid.

Some changes have been made to the 2016-2018 Charter. For example, the minimum requirements for the volumes primary dealers must buy during auctions have been changed following the replacement of BTANs by medium-term OATs. Similarly, specific rules have been introduced for inflation-linked bonds. Lastly, the publication of the method for calculating non-competitive bids post-auction will further enhance market transparency.

AFT will continue to monitor primary dealers to ensure they comply with their obligations under the Charter, and to assess their performance before publishing an annual ranking.

#### List of primary dealers appointed for 2016-2018

Bank of America-Merrill Lynch,	JP Morgan,
Barclays Capital,	Morgan Stanley,
BNP Paribas,	Natixis,
Citigroup,	Nomura,
Commerzbank,	Royal Bank of Scotland,
Crédit Agricole-CIB,	Santander,
Deutsche Bank,	Scotiabank,
Goldman Sachs,	Société Générale
HSBC,	and UBS.

## European interest rates - 2016 outlook

Cyril Regnat, Fixed Income Strategist, Natixis

The year began on a clear bearish note in the euro area, with interest rates mirroring the frenetic nose dive taken by oil prices and inflation expectations. With the price of Brent per barrel touching its lowest point since end-2003 at USD27.7, the 5-year forward 5-year inflation forecast fell back below 1.55%, while the December inflation rate in the euro area and France was flat at around 0.2%. Against this background, Mario Draghi had no choice but to take an accommodative stance, but he once again exceeded expectations, announcing that the ECB would review its monetary policy stance on 10 March.

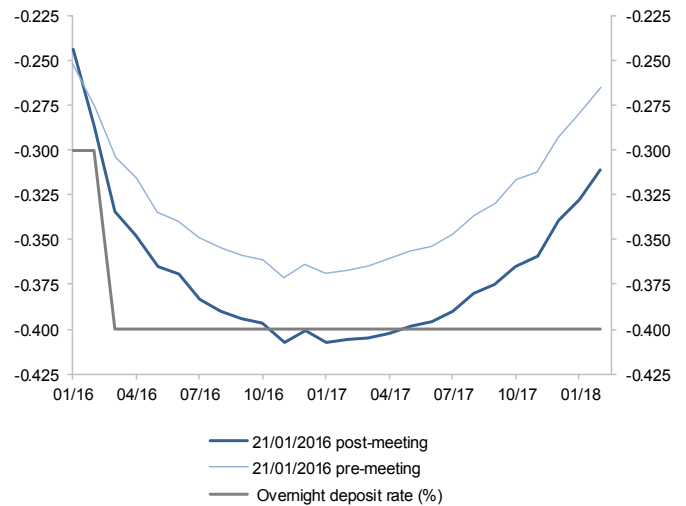
With the price of Brent set to remain exceptionally low throughout the year (our forecast is for an average price per barrel of USD30 in Q1 before it gradually climbs up to USD40 by the end of the year), inflation is likely to be well below the ECB's forecast of 0.9%, which in any case will be adjusted at the next ECB monetary policy meeting in March. According to our economists, the average rate of inflation is likely to be around 0.4% in 2016 and 1.4% in 2017. It may even fall into negative territory in Q2-2016.

Based on Mario Draghi's statement on 21 January 2016, there is no longer any doubt that the ECB will lower its overnight deposit rate by at least 10 basis points to -0.40% in March. At the same time, the central bank is likely to extend its expanded asset purchase programme (APP) to beyond the current March 2017 deadline based on lower forecasts for inflation in 2017 and 2018. While we cannot completely rule out the possibility of an increase in the size of the APP, the ECB may decide to keep this particular card up its sleeve in case inflation rates are lower than expected in 2016 and beyond. Whatever happens, the ECB will strengthen its forward guidance even further.

**Impact on euro area interest rates.** With the markets already anticipating a reduction in the overnight deposit

rate, Mario Draghi's dovish statement has only strengthened expectations of a cut in interest rates. EONIA interest rates are therefore expected to touch bottom at around -0.40% by the end of the year, with the increase in excess liquidity helping to bring the daily rate into line with the new overnight deposit rate.

EONIA forward rates based on ECB dates



Source: Natixis

The 2-year yield on French sovereign bonds is likely to hover between -0.35% and -0.45% until 10 March. It could even decrease further if the market begins to price in a 20 basis point cut. Maturities of 10 years or longer may benefit slightly more from the buoyant market environment. The 10-year OAT yield may, for example, move to around 0.60% ahead of the March meeting before stabilising. It may nevertheless come under pressure in the Spring and particularly the second half of the year as inflation begins to accelerate (target of 0.70-0.80% end-2016). Just like 2015 all over again.

**Natixis Disclaimer:** The information contained in this document is exclusively intended for a client base consisting of professionals and qualified investors. This document is strictly confidential and cannot be divulged to a third party without the prior written consent of Natixis. If you are not the intended recipient of this document and/or any attachments, please delete it/them and immediately notify the sender. Distribution, possession or delivery of this document in, to or from certain jurisdictions may be restricted or prohibited by law. Recipients of this document are required to inform themselves of and comply with all such restrictions or prohibitions. Neither Natixis, nor any of its affiliates, directors, employees, agents or advisers or any other person accepts any liability to any person in relation to the distribution, possession or delivery of this document in, to or from any jurisdiction. The general disclaimer regarding Natixis publications can be consulted at: <https://www.research.natixis.com/GlobalResearchWeb/main/globalresearch/DisclaimerGeneral>

**NB:** this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, the above article strictly reflects the author's view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy and Finance.



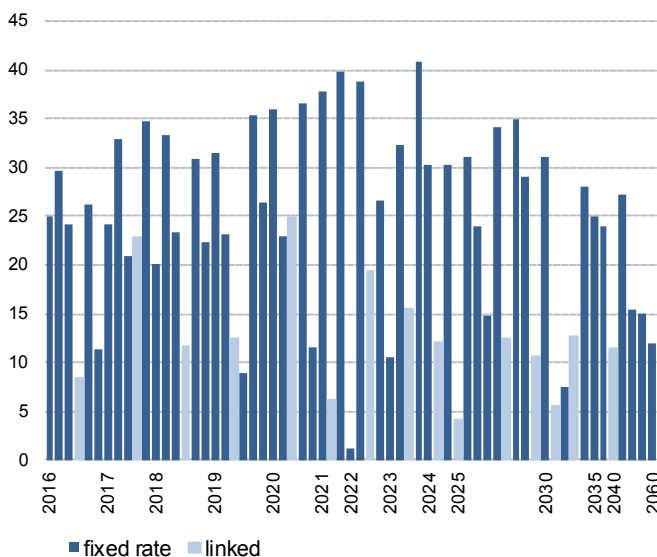
### Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
February 2016	auction date	1	8	15	22	29	18	4	18
	settlement date	3	10	17	24	2 (March)	22	8	22
March 2016	auction date	7	14	21	29	//	17	3	17
	settlement date	9	16	23	31	//	21	7	21

Source: Agence France Trésor

### Medium- and long-term negotiable government debt at 31 December, 2015

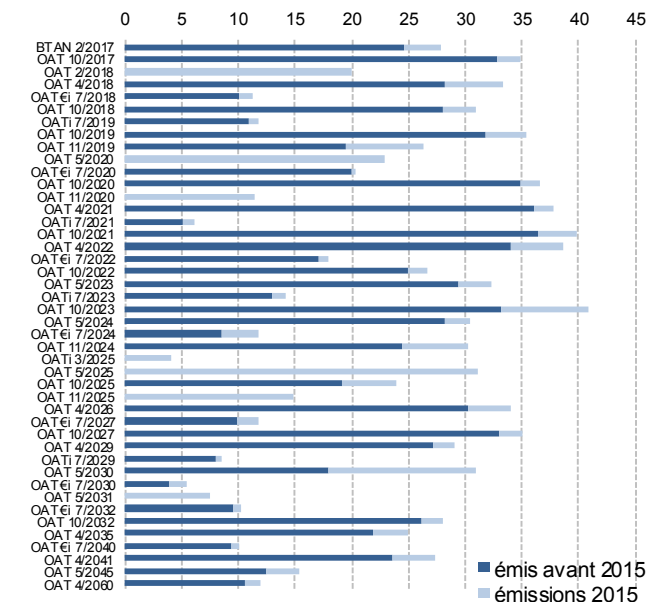
Nominal value of each line, in € billion



Source: Agence France Trésor

### Medium- and long-term: securities issued during the year and total issuance at 31 December, 2015

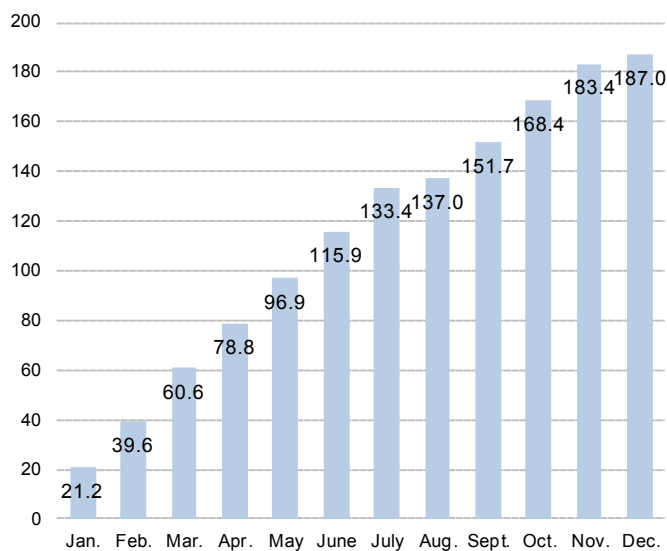
In € billion



Source: Agence France Trésor

### Issuance net of buybacks at 31 December, 2015

In € billion



Source: Agence France Trésor

### Medium- and long-term: provisional maturity schedule at 31 December, 2015

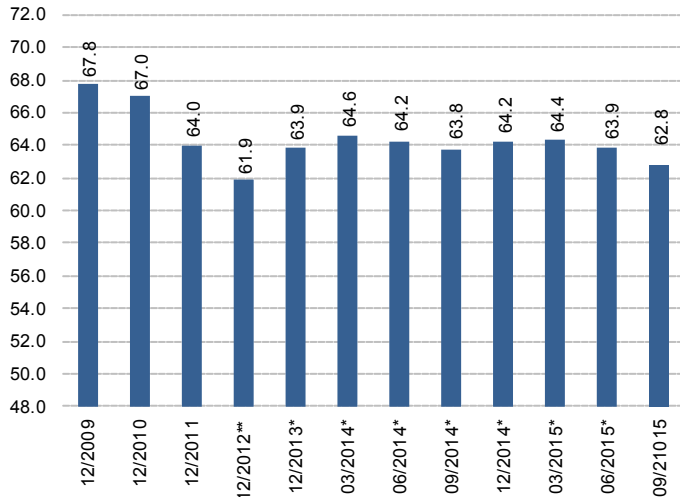
In € billion

Month	Coupon	Redemption
Jan-16		
Feb-16	1.0	24.9
Mar-16	0.0	
Apr-16	16.0	29.7
May-16	3.3	
Jun-16		
Jul-16	3.7	32.2
Aug-16		
Sep-16		
Oct-16	15.7	26.2
Nov-16	1.1	11.4
Dec-16		

Source: Agence France Trésor

### Non-resident holders of negotiable government debt in third quarter of 2015

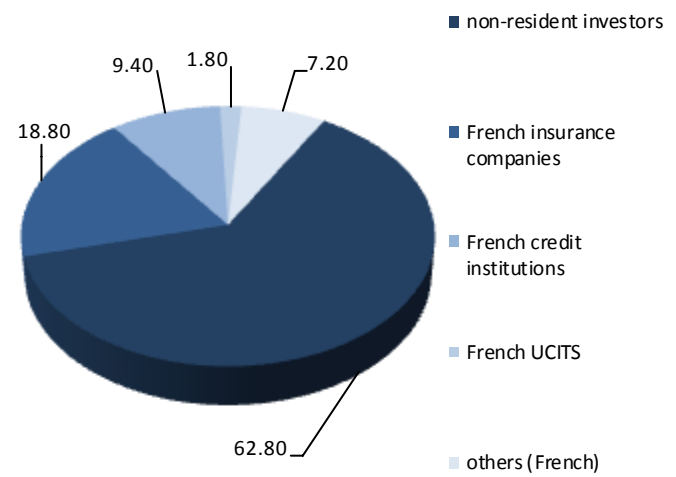
As a % of negotiable debt outstanding expressed in market value



(\* ) figures revised quarterly  
(\*\* ) figures revised annually  
Source: Banque de France

### Negotiable government debt by group of holders in third quarter of 2015

Structure in % expressed in market value



Source: Banque de France

### Negotiable government debt at 31 December, 2015

In euros

Total medium- and long-term debt	1,423,698,770,431
Total stripping activity	61,642,889,100
Average maturity	7 years and 314 days
Total short-term debt	152,673,000,000
Average maturity	112 days
<b>TOTAL OUTSTANDING</b>	<b>1,576,371,770,431</b>
<b>Average maturity</b>	<b>7 years and 47 days</b>

Source: Agence France Trésor

### Negotiable government debt and interest rate swaps at 31 December, 2015

In € billion

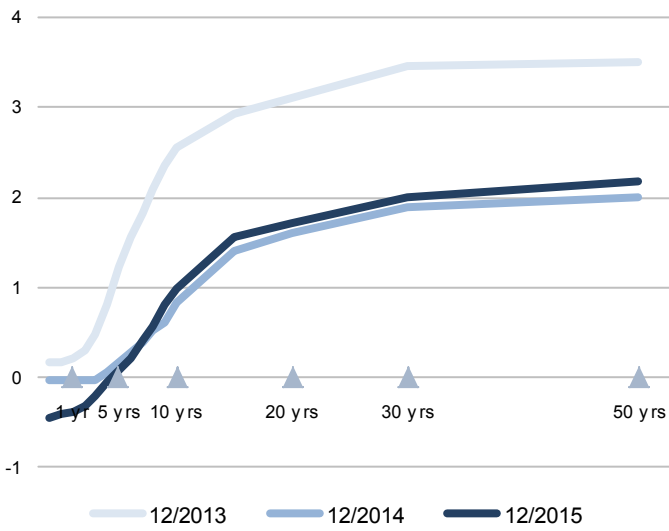
	End 2012	End 2013	End 2014	End Nov. 2015	End Dec. 2015
<b>Negotiable government debt outstanding</b>	<b>1,386</b>	<b>1,457</b>	<b>1,528</b>	<b>1,584</b>	<b>1,576</b>
of which index-linked securities	173	174	189	190	190
Medium- and long-term	1,220	1,283	1,352	1,420	1,424
short-term	167	174	175	164	153
<b>Swaps outstanding</b>	<b>10</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Average maturity of the negotiable debt</b>					
before swaps	7 years	7 years	6 years	7 years	7 years
after swaps	37 days	5 days	363 days	47 days	47 days
before swaps	7 years	7 years	6 years	7 years	7 years
after swaps	34 days	2 days	362 days	47 days	47 days

Source: Agence France Trésor



Yield curve for French government securities

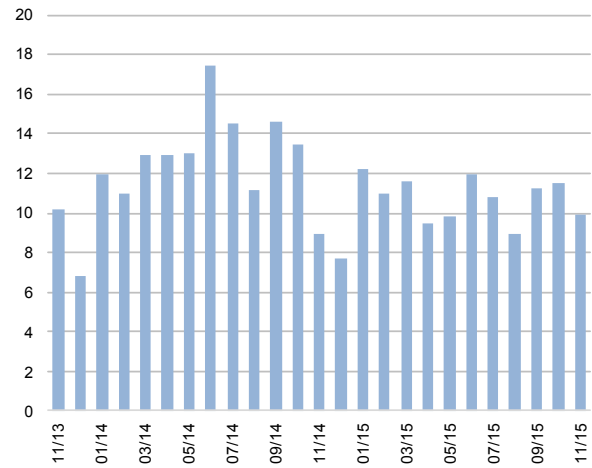
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

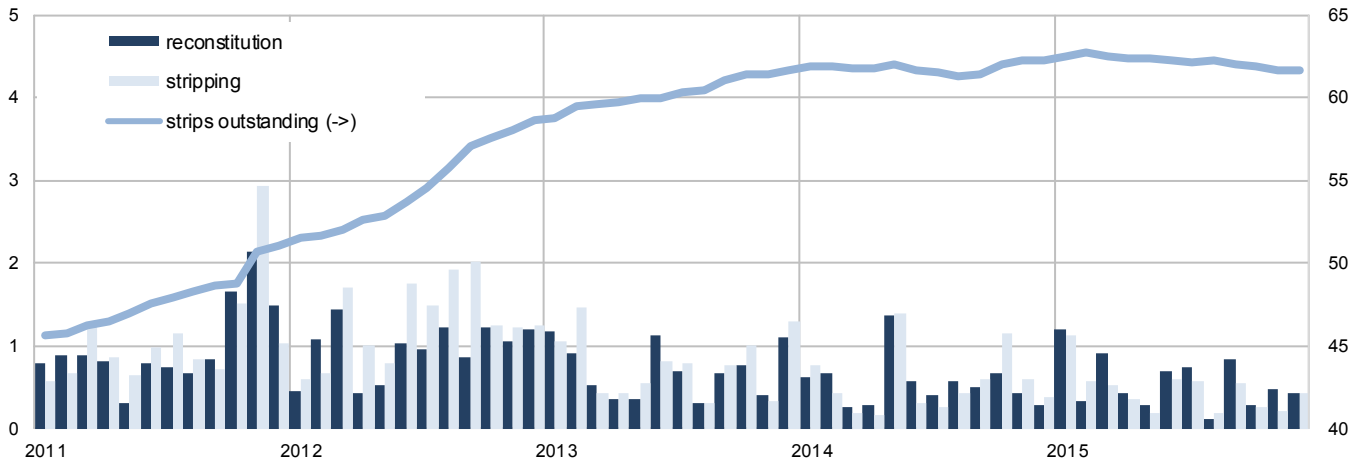
In € billion



Source: reporting by primary dealers in government securities, excluding flows arising from the Eurosystem public sector purchase programme.

Total stripping and reconstitution

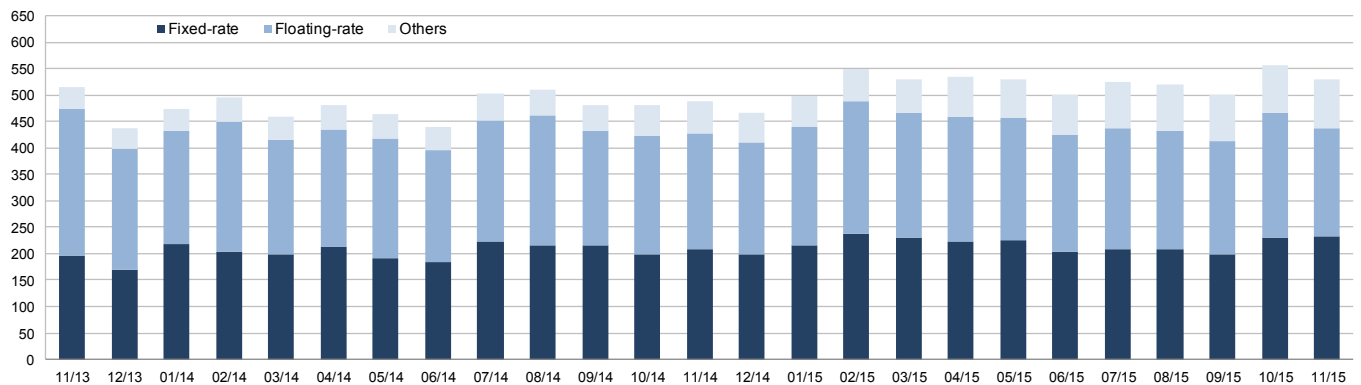
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

### Short-term debt at 31 December, 2015

	Échéance	Encours (€)
BTF	6 janvier 2016	7,416,000,000
BTF	13 janvier 2016	7,587,000,000
BTF	20 janvier 2016	5,650,000,000
BTF	27 janvier 2016	8,393,000,000
BTF	3 février 2016	7,950,000,000
BTF	10 février 2016	7,855,000,000
BTF	17 février 2016	6,097,000,000
BTF	24 février 2016	8,450,000,000
BTF	2 mars 2016	6,216,000,000
BTF	9 mars 2016	8,243,000,000
BTF	16 mars 2016	7,467,000,000
BTF	31 mars 2016	6,724,000,000
BTF	13 avril 2016	7,019,000,000
BTF	27 avril 2016	5,876,000,000
BTF	11 mai 2016	6,018,000,000
BTF	25 mai 2016	4,895,000,000
BTF	22 juin 2016	7,262,000,000
BTF	20 juillet 2016	5,332,000,000
BTF	18 août 2016	5,862,000,000
BTF	14 septembre 2016	5,555,000,000
BTF	12 octobre 2016	8,049,000,000
BTF	9 novembre 2016	7,161,000,000
BTF	7 décembre 2016	1,596,000,000

### Medium- and long-term debt (maturing 2016–2019) at 31 December, 2015

code	libellé	encours (€)	coeff. ind.	encours nomi. (€)	démembrés (€)
	<b>Échéance 2016</b>	<b>124,864,008,380</b>			
FR0119105809	BTAN 2,25% 25 février 2016	24,902,500,000			–
FR0010288357	OAT 3,25% 25 avril 2016	29,725,000,000			0
FR0119580050	BTAN 2,5% 25 juillet 2016	24,221,500,000			–
FR0119105791	BTANi 0,45% 25 juillet 2016	8,408,008,380	(1) 1.04982	8,009,000,000	–
FR0000187361	OAT 5% 25 octobre 2016	26,204,000,000			270,017,000
FR0011857218	OAT 0,25% 25 novembre 2016	11,403,000,000			0
	<b>Échéance 2017</b>	<b>135,639,175,950</b>			
FR0120473253	BTAN 1,75% 25 février 2017	24,095,000,000			–
FR0010415331	OAT 3,75% 25 avril 2017	32,991,000,000			0
FR0120746609	BTAN 1% 25 juillet 2017	20,843,000,000			–
FR0010235176	OATi 1% 25 juillet 2017	22,885,175,950	(1) 1.13321	20,195,000,000	0
FR0010517417	OAT 4,25% 25 octobre 2017	34,825,000,000			0
	<b>Échéance 2018</b>	<b>141,671,463,820</b>			
FR0012634558	OAT 0% 25 février 2018	20,057,000,000			0
FR0010604983	OAT 4% 25 avril 2018	33,269,000,000			0
FR0011394345	OAT 1% 25 mai 2018	23,412,000,000			0
FR0011237643	OAT€i 0,25% 25 juillet 2018	11,721,463,820	(1) 1.04126	11,257,000,000	0
FR0010670737	OAT 4,25% 25 octobre 2018	30,947,000,000			0
FR0011523257	OAT 1% 25 novembre 2018	22,265,000,000			0
	<b>Échéance 2019</b>	<b>137,713,177,646</b>			
FR0000189151	OAT 4,25% 25 avril 2019	31,478,000,000			0
FR0011708080	OAT 1% 25 mai 2019	23,095,000,000			0
FR0010850032	OATi 1,3% 25 juillet 2019	12,519,888,200	(1) 1.06643	11,740,000,000	0
FR0000570921	OAT 8,5% 25 octobre 2019	8,844,392,893			5,764,885,100
FR0010776161	OAT 3,75% 25 octobre 2019	35,410,000,000			0
FR0011993179	OAT 0,5% 25 novembre 2019	26,333,000,000			0
FR0000570954	OAT cap. 9,82% 31 décembre 2019	32,896,553	(2)	6,692,154	–

(1) face value x indexation coefficient (face value if coefficient < 1)

(2) Including coupons capitalised at 31 December 2015; not open to subscription

Medium- and long-term debt (maturing in 2020 and beyond) at 31 December, 2015

code	libellé	encours (€)	coeff. ind.	encours nomi. (€)	démembrés (€)
	<b>Échéance 2020</b>	<b>131,843,148,700</b>			
FR0010854182	OAT 3,5% 25 avril 2020	36,032,000,000			0
FR0012557957	OAT 0% 25 mai 2020	22,969,000,000			0
FR0010050559	OAT€i 2,25% 25 juillet 2020	24,814,148,700 (1)	1.22177	20,310,000,000	0
FR0010949651	OAT 2,5% 25 octobre 2020	36,562,000,000			0
FR0012968337	OAT 0,25% 25 novembre 2020	11,466,000,000			0
	<b>Échéance 2021</b>	<b>83,880,676,320</b>			
FR0010192997	OAT 3,75% 25 avril 2021	37,837,000,000			0
FR0011347046	OATi 0,1% 25 juillet 2021	6,152,676,320 (1)	1.00996	6,092,000,000	0
FR0011059088	OAT 3,25% 25 octobre 2021	39,891,000,000			0
	<b>Échéance 2022</b>	<b>86,068,985,470</b>			
FR0000571044	OAT 8,25% 25 avril 2022	1,243,939,990			617,468,400
FR0011196856	OAT 3% 25 avril 2022	38,725,000,000			0
FR0010899765	OAT€i 1,1% 25 juillet 2022	19,473,045,480 (1)	1.08612	17,929,000,000	0
FR0011337880	OAT 2,25% 25 octobre 2022	26,627,000,000			0
	<b>Échéance 2023</b>	<b>99,427,072,383</b>			
FR0000571085	OAT 8,5% 25 avril 2023	10,606,195,903			5,557,900,200
FR0011486067	OAT 1,75% 25 mai 2023	32,358,000,000			0
FR0010585901	OATi 2,1% 25 juillet 2023	15,580,876,480 (1)	1.09856	14,183,000,000	0
FR0010466938	OAT 4,25% 25 octobre 2023	40,882,000,000			520,585,000
	<b>Échéance 2024</b>	<b>72,631,446,900</b>			
FR0011619436	OAT 2,25% 25 mai 2024	30,355,000,000			17,000,000
FR0011427848	OAT€i 0,25% 25 juillet 2024	12,041,446,900 (1)	1.01710	11,839,000,000	0
FR0011962398	OAT 1,75% 25 novembre 2024	30,235,000,000			46,000,000
	<b>Échéance 2025</b>	<b>73,888,327,918</b>			
FR0012558310	OATi 0,1% 1 mars 2025	4,065,399,800 (1)	1.00133	4,060,000,000	0
FR0012517027	OAT 0,5% 25 mai 2025	31,065,000,000			0
FR0000571150	OAT 6% 25 octobre 2025	23,968,928,118			3,222,164,400
FR0012938116	OAT 1% 25 novembre 2025	14,789,000,000			0
	<b>Échéance 2026</b>	<b>34,114,000,000</b>			
FR0010916924	OAT 3,5% 25 avril 2026	34,114,000,000			134,313,000
	<b>Échéance 2027</b>	<b>47,555,071,990</b>			
FR0011008705	OAT€i 1,85% 25 juillet 2027	12,526,071,990 (1)	1.07033	11,703,000,000	0
FR0011317783	OAT 2,75% 25 octobre 2027	35,029,000,000			0
	<b>Échéance 2028</b>	<b>22,534,786</b>			
FR0000571226	OAT zéro coupon 28 mars 2028	22,534,786 (3)		46,232,603	-
	<b>Échéance 2029</b>	<b>39,698,297,638</b>			
FR0000571218	OAT 5,5% 25 avril 2029	29,091,880,458			3,515,109,100
FR0000186413	OATi 3,4% 25 juillet 2029	10,606,417,180 (1)	1.25236	8,469,144,000	0
	<b>Échéance 2030</b>	<b>36,511,027,980</b>			
FR0011883966	OAT 2,5% 25 mai 2030	31,023,000,000			0
FR0011982776	OAT€i 0,7% 25 juillet 2030	5,488,027,980 (1)	1.00403	5,466,000,000	0
	<b>Échéance 2031 et plus</b>	<b>178,170,354,550</b>			
FR0012993103	OAT 1,5% 25 mai 2031	7,484,000,000			0
FR0000188799	OAT€i 3,15% 25 juillet 2032	12,577,064,000 (1)	1.23790	10,160,000,000	0
FR0000187635	OAT 5,75% 25 octobre 2032	28,114,322,600			11,089,157,400
FR0010070060	OAT 4,75% 25 avril 2035	25,004,000,000			5,223,167,000
FR0010371401	OAT 4% 25 octobre 2038	23,889,000,000			4,868,011,400
FR0010447367	OAT€i 1,8% 25 juillet 2040	11,529,967,950 (1)	1.14669	10,055,000,000	0
FR0010773192	OAT 4,5% 25 avril 2041	27,307,000,000			7,380,539,000
FR0011461037	OAT 3,25% 25 mai 2045	15,421,000,000			489,600,000
FR0010171975	OAT 4% 25 avril 2055	14,926,000,000			7,316,988,000
FR0010870956	OAT 4% 25 avril 2060	11,918,000,000			5,609,984,100

(1) face value x indexation coefficient (face value if coefficient < 1)

(3) Revised on 28 March 2015; not open to subscription

### Most recent economic indicators

Industrial output, year-on-year	2.8%	Nov 2015
Household consumption*, year-on-year	1.9%	Dec 2015
Unemployment rate (ILO)	10.6%	Sep 2015
Consumer prices, year-on-year		
all items	0.2%	Dec 2015
all items excluding tobacco	0.2%	Dec 2015
Trade balance, fob-fob, sa (€bn)	-€4.6bn	Nov 2015
" "	-€4.9bn	Oct 2015
Current account balance, sa (€bn)	-€1.4bn	Nov 2015
" "	-€1.0bn	Oct 2015
10-year constant maturity rate (TEC10)	0.75%	28 Jan. 2016
3-month interest rate (Euribor)	-0.159%	27 Jan. 2016
EUR / USD	1.0903	28 Jan. 2016
EUR / JPY	129.62	28 Jan. 2016

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

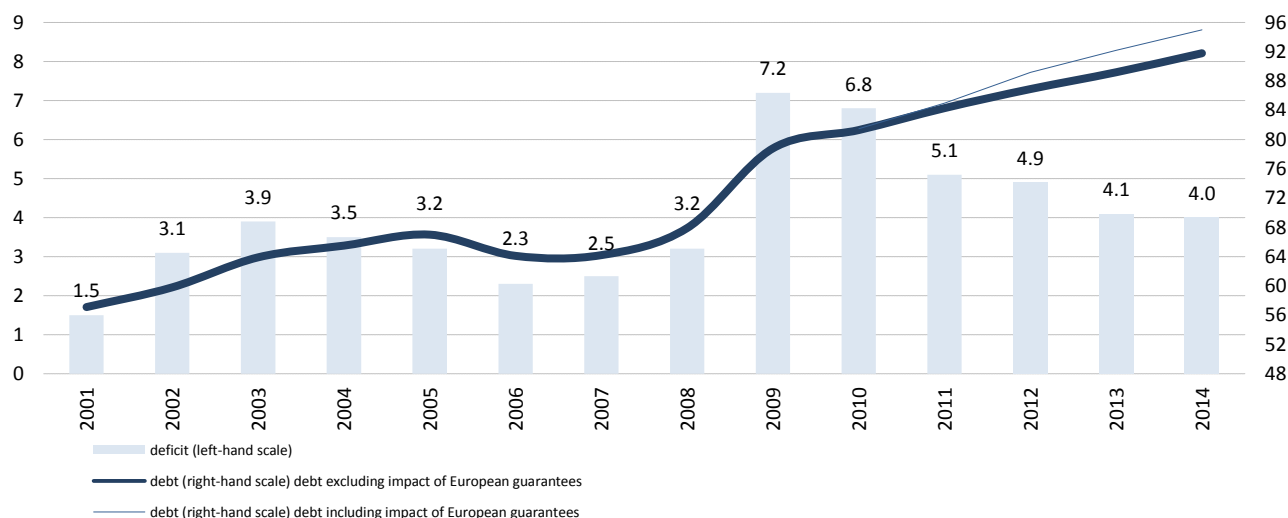
In € billion

	2013	2014	end of November level		
			2013	2014	2015
General budget balance	-75.43	-85.71	-85.05	-87.06	-78.29
revenue	301.24	291.95	265.25	256.30	261.58
expenditure	376.67	377.66	350.29	343.36	339.87
Balance of special Treasury accounts	0.56	0.16	-1.93	-3.78	-4.49
<b>General budget outturn</b>	<b>-74.87</b>	<b>-85.56</b>	<b>-86.98</b>	<b>-90.84</b>	<b>-82.77</b>

Source: Minefi

### Public finances: deficit and debt

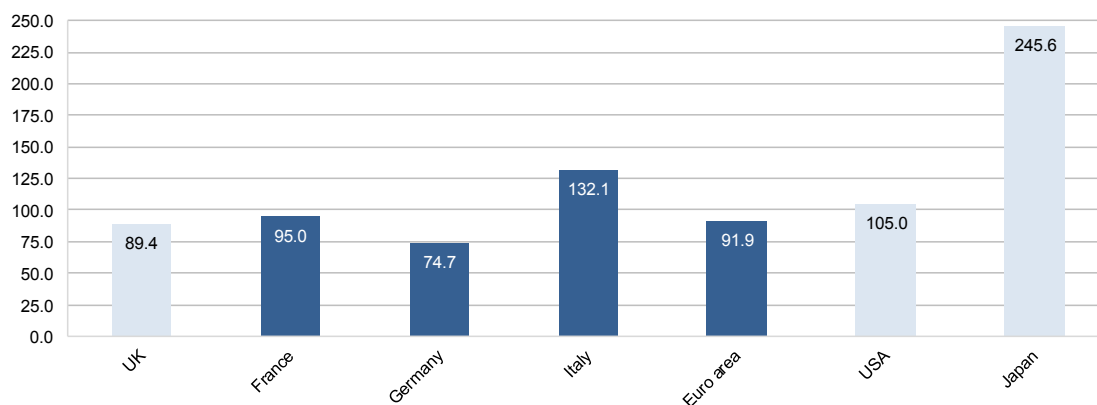
As % of GDP



Source: Insee

### General government debt in 2014

As % of GDP



Sources: Eurostat (07/2015), FMI (2015)



## French economic indicators: timetable

February 2016	March 2016
5 Foreign trade in December	3 Job seekers Q4-2015 (ILO)
9 Industrial Investments: January survey	8 Foreign trade in January
10 Industrial output in December	10 Industrial output in January
10 Balance of payments in December	10 Payroll employment: final results Q4-2015
12 Payroll employment: provisional results Q4-2015	11 Balance of payments in January
18 Consumer prices: index for January	15 Consumer prices: index for February
23 Industrial trends: February survey	17 Inflation (HICP): February index
24 Household confidence survey: February survey	24 Industrial trends: monthly survey for March
24 Job seekers in January	24 Job seekers in February
25 Inflation (HICP): January index	25 Debt of the general gvt according to Maastricht definition - Q4 2015
26 New building starts in January	25 Quarterly national accounts: final results Q4-2015
26 Household consumption of manufactured goods in January	25 Household confidence survey: March survey
26 Industrial producer prices: January index	25 New building starts in February
29 Net foreign exchange reserves in January	31 Household consumption of manufactured goods in February
	31 Industrial producer prices: February index
	31 Net foreign exchange reserves in February

NB: the base year (=100) for the IPC (consumer price index) will be changed from 1998 to 2015 as of January 2016; INSEE will publish the January 2016 index on 18 February 2016.

To continue to calculate the indexation coefficients without interruption, the applicable reference inflation rates will be converted to the new base year by applying the following formula (*clé*):

$$clé = \frac{IPC_{décembre 2015}^{base 2015}}{IPC_{décembre 2015}^{base 1998}}$$

This will produce the following result:

$$Référence_{date t}^{base 2015} = Référence_{date t}^{base 1998} * clé$$

Sources: Insee, Eurostat

This publication, which is the exclusive property of AFT, is entirely protected by the provisions of the French Intellectual Property Code, particularly those provisions relating to copyright. Any reproduction of the content, in whole or in part, by any means whatsoever, without the permission of AFT, is strictly prohibited. As a result, the permission of the rights holder must be sought for any reproduction of the content exclusively for non-commercial purposes. Requests for permission must be submitted via e-mail to the AFT's Publication Director at the following address: [contact@aft.gouv.fr](mailto:contact@aft.gouv.fr). Reuse of information must mention the source and the date of the reproduction, and must feature the copyright notice "©Agence France Trésor".

English translation: Centre de traduction des ministères économiques et financiers